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Farm-Mortgage Lending

*Experience of 20 Life Insurance Companies,
Federal Land Banks, and
Farmers Home Administration
JULY THROUGH SEPTEMBER 1963*

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In the third quarter of 1963, the volume of farm-mortgage loans closed by 3 reporting lender groups totaled \$369 million, including the increase in existing loans. This was 30 percent higher than for the same quarter a year earlier. The largest increase--50 percent--was for life insurance companies. The Federal land banks and the Farmers Home Administration each reported increases of 18 percent. ^{1/}

Farm-mortgage loans held at the end of third quarter 1963 by these lenders were 11 percent higher than a year earlier. During that quarter outstanding loans increased about 3 percent. This expansion reflected the enlarged volume of new lending since repayments on existing loans continued to rise in line with outstandings. The volume of delinquent and foreclosed loans showed little change, and remained at a very low level.

Interest rates remained about the same as in second quarter 1963 although rates charged by the life insurance companies drifted somewhat downward.

Life Insurance Companies

During this quarter new and additional farm-mortgage loans closed by life insurance companies amounted to \$160 million, 50 percent more than the volume closed in third quarter 1962. For the first three quarters of 1963, lending volume of life insurance companies exceeded the year-earlier period by 41 percent and the number of new loans acquired increased 19 percent. The average size of loan closed in the third quarter was \$30,760, an increase of 17.5 percent over a year earlier.

The dollar volume of farm-mortgage loan commitments of the life insurance companies in the third quarter of 1963 was 33 percent larger than commitments in the year-earlier quarter, but was down 10 percent from the preceding quarter. The proportion of funds committed for farm real estate purchases and for refinancing increased slightly over the second quarter (up 1.6 percentage points to 35.9 percent, and up 1.5 percentage points to 48.3 percent, respectively). Loan funds committed for repairs and improvements and other purposes declined.

^{1/} Direct loans only; excludes FHA-insured loans which are financed by banks, individuals, and other lenders.

Interest rates on commitments of life insurance companies in the third quarter averaged 5.72 percent, about 0.04 of a percentage point lower than in the second quarter. A smaller proportion of loans was committed at a 6.00 percent rate and a larger proportion at 5.50 percent compared with the previous quarter.

Federal Land Banks

Volume of loans closed by the Federal land banks in the third quarter was 18 percent higher than a year earlier as a result of an 11 percent increase in the number of loans closed and an increase of 6 percent in the average size. The average size of loan closed in the third quarter of 1963 was \$15,170.

The volume of loans outstanding on September 30, 1963, was \$3.3 billion, up 8 percent from a year earlier.

The Federal Land Bank of Baltimore reduced its interest rate (on a temporary basis) from 6.00 percent to 5.50 percent, effective September 16, 1963. Rates at the other land banks remained unchanged. On September 30, 11 banks were charging 5.50 percent or less, and the Springfield Bank was charging 5.75 percent. The contract rate on loans at 3 banks was 0.50 percent higher, and at 1 bank 0.30 percent higher than the temporary rate currently charged new borrowers.

Farmers Home Administration

Direct mortgage loans made by the Farmers Home Administration (including additions to existing loans) during the third quarter amounted to \$48 million, 18 percent more than in the same quarter a year earlier. In recent earlier quarters, direct loans closed were predominantly rural-housing loans, but in this quarter \$26 million were rural-housing and nearly half (\$22 million) were farm-ownership. Loans closed for rural housing ranged from \$20 million to \$39 million per quarter during the last 2 years, except in third quarter 1962 when they reached a record of \$78 million.

FHA borrowers during third quarter 1963 made principal repayments amounting to 1.1 percent of the debt outstanding on June 30, 1963, compared with 1.0 percent a year earlier. On September 30, 1963, 4.0 percent of the borrowers were behind in making amortization payments--down from 5.2 percent a year earlier.

Most FHA farm-ownership loans are insured loans rather than direct loans. The volume of all FHA-insured loans outstanding to individuals (not shown in this report) increased \$18 million during the third quarter, compared with an increase of \$38 million a year earlier. All except a small part of these insured loans were farm-ownership loans. The total amount of FHA-insured loans to individuals outstanding on September 30, 1963, was \$521 million.

The following tables compare farm-mortgage lending activity of the 3 lender groups for selected periods of 1962 and 1963.

Table 1.--Life insurance companies: Farm-mortgage loans, 20 companies, United States, selected quarters, 1962 and 1963

Item	Quarter ending--			Percentage change, quarters ending--	
	Sept. 30, 1962	June 30, 1963	Sept. 30, 1963	Sept. 30, 1962, and Sept. 30, 1963	June 30, and Sept. 30, 1963
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	193,010	191,930	192,761	-0.1	0.4
Principal indebtedness:					
Total-----1,000 dollars-----	3,072,989	3,243,935	1/ 3,361,355	9.4	3.6
Average-----dollars-----	15,920	16,900	17,440	9.5	3.2
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	2,966	4,554	3,532	19.1	-22.4
Principal indebtedness:					
Total 2/-----1,000 dollars-----	88,014	154,198	137,584	56.3	-10.8
Average 3/-----dollars-----	26,170	26,180	30,760	17.5	17.5
Increase in principal of mortgages already owned 3/-----1,000 dollars-----	18,605	32,652	22,558	21.2	-30.9
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	2,904	3,714	3,135	8.0	-15.6
Amount:					
Total 4/-----1,000 dollars-----	29,840	46,893	37,780	26.6	-19.4
Average 5/-----dollars-----	9,580	12,510	11,700	22.1	-6.5
Other 5/-----1,000 dollars-----	19,198	22,536	20,386	6.2	-9.5
Total-----do-----	49,038	69,429	58,166	18.6	-16.2
Percent of principal indebtedness, beginning of quarter-----	1.6	2.1	1.7	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	7	0	0	---	---
Principal indebtedness:					
Total-----1,000 dollars-----	628	0	0	---	---
Average-----dollars-----	6/ 11,330	0	0	---	---
<u>End of Quarter</u>					
Mortgages owned:					
Number 7/-----	193,066	192,761	193,160	8/	.2
Principal indebtedness:					
Total-----1,000 dollars-----	3,129,942	3,361,356	3,463,331	10.7	3.0
Average-----dollars-----	16,210	17,440	17,930	10.6	2.8
Mortgages in process of foreclosure:					
Number-----	106	74	73	-31.1	-1.4
Percent of total-----	.1	8/	8/	---	---
Principal indebtedness-----1,000 dollars-----	2,449	1,457	1,308	-46.6	-10.2
Percent of total-----	.1	8/	8/	---	---
Mortgages with interest overdue more than 3 months:					
Number-----	367	591	405	10.4	-31.5
Percent of total-----	.2	.3	.2	---	---
Principal indebtedness-----1,000 dollars-----	8,550	19,488	11,725	37.1	-39.8
Percent of total-----	.3	.6	.3	---	---
Mortgage-loan commitments during quarter:					
Number-----	4,487	6,007	5,432	21.1	-9.6
Amount:					
Total-----1,000 dollars-----	155,301	227,845	206,278	32.8	-9.5
Average-----dollars-----	34,610	37,930	37,980	9.7	.1

1/ Because of consolidation and/or splitting of loans, there was a net decrease of \$1,000 from the amount reported at the end of the preceding quarter. 2/ Includes increase in principal indebtedness of mortgages already owned for 2 companies. 3/ 18-company data; excludes the 2 companies that did not separate principal of farm mortgages acquired and increase in principal of mortgages already owned. 4/ Includes principal payments on farm mortgages not paid in full for 2 companies. 5/ 18-company data; excludes the 2 companies that did not separate principal payments on mortgages paid in full from payments on other mortgages not paid in full. 6/ Excludes 1 large loan. 7/ Because of consolidation and/or splitting of loans there was a net increase of 1 loan in the 3d quarter of 1962, a net decrease of 9 loans, and a net increase of 2 loans in the 2d and 3d quarters of 1963, respectively. 8/ Less than 0.05 percent.

Table 2.--Life insurance companies: Purposes of farm-mortgage-loan commitments, 19 companies, United States, selected quarters, 1962 and 1963

Item	Quarter ending--				
	Sept. 30, 1962	Dec. 31, 1962	Mar. 31, 1963	June 30, 1963	Sept. 30, 1963
	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>
Amount of commitments-----	155,281	190,821	248,370	227,845	206,278
Percentage of total funds committed for--	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Farm real estate purchases--	35.2	36.7	35.7	34.3	35.9
Refinancing <u>1</u> --					
Mortgages held by--					
Own company-----	18.9	20.2	23.6	23.4	21.1
Others-----	13.8	11.9	10.2	9.1	10.8
Total-----	32.7	32.1	33.8	32.5	31.9
Other indebtedness-----	15.3	16.9	16.6	14.3	16.4
Total refinancing--	48.0	49.0	50.4	46.8	48.3
Repairs and improvements to land and buildings-----	10.1	7.3	6.0	8.3	7.3
Other purposes:					
Known-----	6.7	7.0	7.8	10.6	8.5
Unknown-----	0	<u>2</u> /	.1	<u>2</u> /	<u>2</u> /
All purposes-----	100.0	100.0	100.0	100.0	100.0

1/ Distribution between mortgages held by own company and by others estimated for 2 companies; distribution of debt refinancing between real estate mortgages held by others and other indebtedness estimated for another. 2/ Less than 0.05 percent.

Table 3.--Life insurance companies: Interest rates on farm-mortgage-loan commitments, July 1 through Sept. 30, 1963 1/

Interest rate	Loans		Amount		Average size of loan
	Number	Percentage distribution	Total	Percentage distribution	
		<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>
Percent:					
5 or less-----	12	0.5	247,950	0.2	20,660
5 1/4-----	12	.5	311,500	.3	25,960
5 1/2-----	1,215	50.6	45,095,542	42.8	37,120
5 3/4-----	469	19.5	25,810,319	24.5	55,030
6-----	636	26.5	28,686,004	27.3	45,100
6 1/4-----	29	1.2	2,014,333	1.9	69,460
6 1/2 and over-----	28	1.2	3,110,988	3.0	111,110
Total or average-----	2,401	100.0	105,276,636	100.0	43,850

1/ The weighted average interest rate, based on 3,201 loans and a total amount committed of \$127,873,036, is 5.719 percent. 2 companies did not report interest rates.

Table 4.--Federal land banks: Farm-mortgage loans, United States, July 1 through Sept. 30, 1962 and 1963 ^{1/}

Item	1962	1963	Percentage change
			Percent
Loans outstanding, July 1: ^{2/}			
Number-----	381,147	380,493	-0.2
Amount-----1,000 dollars----	2,968,438	3,198,006	7.7
Average-----dollars----	7,790	8,400	7.8
Loans closed: ^{3/}			
Number-----	9,535	10,564	10.8
Amount-----1,000 dollars----	136,296	160,207	17.5
Average-----dollars----	14,290	15,170	6.2
Decrease in loans (net):			
Number-----	9,627	10,709	11.2
Amount-----1,000 dollars----	83,799	98,946	18.1
Average-----dollars----	8,700	9,240	6.2
Loans outstanding, Sept. 30: ^{2/}			
Number-----	381,055	380,348	-.2
Amount-----1,000 dollars----	3,020,935	3,259,267	7.9
Average-----dollars----	7,930	8,570	8.1

^{1/} Includes Puerto Rico.

^{2/} Includes purchase-money mortgages, sales contracts, etc., and excludes loans called for foreclosure.

^{3/} Gross number and amount of all loans closed, including new loans that replaced old loans, and loans canceled prior to disbursement of loan proceeds.

Farm Credit Administration, Accounting and Budget Division.

Table 5.--Federal land banks: Interest rates charged by districts, Sept. 30, 1963

District	Rate	Effective date
	Percent	
Springfield-----	5.75	Mar. 27, 1961
Baltimore-----	^{1/} 5.50	Sept. 16, 1963
Columbia-----	^{1/} 5.50	July 1, 1961
Louisville-----	5.50	Jan. 1, 1961
New Orleans-----	5.50	Jan. 2, 1961
St. Louis-----	5.50	Jan. 1, 1961
St. Paul-----	5.50	Jan. 3, 1961
Omaha-----	5.50	Mar. 24, 1961
Wichita-----	5.50	Jan. 3, 1961
Houston-----	^{2/} 5.00	Dec. 1, 1962
Berkeley-----	^{3/} 5.20	Jan. 1, 1963
Spokane-----	5.50	Apr. 1, 1961

^{1/} New loans are written at 6 percent but borrowers are currently charged 5.50 percent.

^{2/} New loans are written at 5.50 percent but borrowers are currently charged 5 percent.

^{3/} New loans are written at 5.50 percent but borrowers are currently charged 5.20 percent.

Farm Credit Administration.

Table 6.--Farmers Home Administration: Direct farm-ownership and rural-housing loans, United States, selected quarters, 1962 and 1963 ^{1/}

Item	Quarter ending--			Percentage change, quarters ending--	
	Sept. 30, 1962	June 30, 1963	Sept. 30, 1963	Sept. 30, 1962, and Sept. 30, 1963	June 30, 1962, and Sept. 30, 1963
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	75,614	87,527	90,424	19.6	3.3
Principal indebtedness-----1,000 dollars--	588,225	705,283	735,464	25.0	4.3
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	3,614	4,149	4,075	12.8	-1.8
Principal indebtedness-----1,000 dollars--	39,730	39,872	46,727	17.6	17.2
Increase in principal of mortgages already owned-----1,000 dollars--	1,207	642	1,566	29.7	143.9
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	635	1,221	975	53.5	-20.1
Amount-----1,000 dollars--	2,906	6,214	4,772	64.2	-23.2
Other-----do-----	3,037	4,011	3,658	20.4	-8.8
Total-----do-----	5,943	10,225	8,430	41.8	-17.6
Percent of principal indebtedness, beginning of quarter-----	1.0	1.4	1.1	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	29	31	24	-17.2	-22.6
Principal indebtedness-----1,000 dollars--	153	108	150	-2.0	38.9
<u>End of Quarter</u>					
Mortgages owned:					
Number-----	78,564	90,424	93,500	19.0	3.4
Principal indebtedness-----1,000 dollars--	623,066	735,464	775,177	24.4	5.4
Mortgages behind schedule in regard to amortization payments:					
Number-----	4,107	4,428	3,776	-8.1	-14.7
Percent of total-----	5.2	4.9	4.0	---	---
Principal indebtedness-----1,000 dollars--	35,902	39,088	34,371	-4.3	-12.1
Percent of total-----	5.8	5.3	4.4	---	---
Mortgages in process of foreclosure:					
Number-----	68	70	68	0	-2.9
Percent of total-----	.1	.1	.1	---	---
Principal indebtedness-----1,000 dollars--	695	851	839	20.7	-1.4
Percent of total-----	.1	.1	.1	---	---
Mortgage-loan commitments during quarter: ^{2/}					
Farm-ownership loans: ^{3/}					
Number-----	87	1,829	75	-13.8	-95.9
Amount:					
Total-----1,000 dollars--	662	28,823	484	-26.9	-98.3
Average-----dollars--	7,610	15,760	6,450	-15.2	-59.1
Rural-housing loans: ^{4/}					
Number-----	10,055	2,913	3,033	-69.8	4.1
Amount:					
Total-----1,000 dollars--	100,277	27,724	29,043	-71.0	4.8
Average-----dollars--	9,970	9,520	9,580	-3.9	.6

^{1/} Data for 48 States only. Includes loans on rural nonfarm residences. Separate data for farm-ownership and rural-housing loans are available upon request.

^{2/} Initial loans obligated.

^{3/} The interest rate on these loans is 5 percent.

^{4/} The interest rate on these loans is 4 percent

Table 7.--Farmers Home Administration: Purposes of farm-mortgage-loan commitments, direct farm-ownership loans, United States, selected periods, 1961 through 1963 1/

Item	July 1 to Sept. 30, 1961	July 1 to Sept. 30, 1962	July 1 to Sept. 30, 1963
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Percentage of total funds committed for--			
Farm real estate purchases-----	38	35	24
Refinancing--			
Mortgages held by--			
Farmers Home Administration-----	1	0	0
Others-----	37	24	31
Total-----	38	24	31
Other indebtedness-----	5	0	0
Total refinancing-----	43	24	31
Repairs and improvements to land and buildings---	18	40	44
Other purposes:			
Known-----	1	1	1
Unknown-----	0	0	0
All purposes-----	100	100	100

1/ Data for 48 States only.

Farmers Home Administration.

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